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SUBJECT: IRAN'S MELLAT BANK MAINTAINING A SMALL PRESENCE IN
ARMENIA WHILE IRAN'S ECONOMY REMAINS CLOSED

Classified By: EconOff E. Pelletreau for reasons 1.4 (b,d).

¶1. (C) On November 27, while meeting on other issues, we spoke with Armenian Central Bank Board Member Vache Gabrielyan about banking relations between Armenia and Iran. Gabrielyan said the only Iranian bank in Armenia is Mellat Bank CJSC Armenia, a wholly-owned subsidiary of Mellat Bank Iran. He said that Mellat's Armenian presence was small; just barely large enough to qualify under Armenian banking rules. It has only one branch, in Yerevan, and apparently has no plans to expand. (NOTE: According to the Mellat Armenia website, (www.mellatbank.am) the bank's total registered capital is USD 5,150,000, just over the GOAM-mandated minimum of USD 5 million. END NOTE.) Gabrielyan said the bank's customers were mostly Iranians and some Iranian-Armenians.

¶2. (C) Gabrielyan said there were no Armenian banks operating in Iran because Iran -- "one of the most protectionist countries in the world" -- would not permit Armenian banks to open there. He said the only product Iran was happy to import from Armenia was scrap metal, because it did not compete with domestically produced Iranian products. Other Armenian exports to Iran are viewed as threats to local industry, Gabrielyan said.

¶3. (C) Gabrielyan said that Iranian goods were less popular on the Armenian market as well because they are considered to be low quality. Ten years ago Armenians were buying Iranian agricultural products, he said, now they buy virtually none. Goods which are still imported from Iran include plastic items and furniture, but Gabrielyan said, even Turkish goods are of higher quality. The Armenian construction market benefits from proximity to Iran, however. "Every time your President says 'axis of evil,' apartment prices (in Armenia) soar," Gabrielyan commented wryly. (COMMENT: The implication of the comment supports rumors we have heard from other sources that many Iranians and Iranian-Armenians look to Armenia as a place to weather the storm should the situation in Iran deteriorate. END COMMENT.)
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